

No. 797 ^{NB}

FILED

MAY 11 1948

CHARLES ELBERT BRADLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1947.

REYNOLDS METALS COMPANY, PETITIONER,

v.

C. D. SKINNER AND LEO C. BRADLEY, RESPONDENTS.

PETITION FOR WRIT OF CERTIORARI.

To the United States Circuit Court of Appeals
For the Sixth Circuit

and

BRIEF OF PETITIONERS.

In Support of Petition.

✓ ROBERT P. PATTERSON,

WALTER L. RICE,

W. LEE HELMS,

Counsel for Petitioner.

ELMER M. CUNNINGHAM,

of Counsel.

INDEX.

	PAGE
PETITION FOR WRIT OF CERTIORARI.....	1
OPINIONS BELOW	2
JURISDICTION	2
SUMMARY AND SHORT STATEMENT OF THE MATTER INVOLVED	2
QUESTIONS PRESENTED	4
REASONS RELIED ON FOR ALLOWANCE OF THE WRIT.....	4
BRIEF IN SUPPORT OF PETITION.....	6
STATEMENT OF FACTS AND DECISIONS OF COURTS BELOW	6
SUMMARY OF ARGUMENT.....	9
ARGUMENT	9
POINT I.—The rules laid down by the Circuit Court of Appeals improperly enlarges the patent monopoly and runs counter to decisions of this Court	9
POINT II.—The Circuits are in conflict.....	11
POINT III.—The Circuit Court of Appeals erroneously included unpatented devices as subject to royalty	12

AUTHORITIES CITED:

CASES.

	PAGE
<i>Kessel vs. Vidiro Products Corp.</i> , 113 Fed. 2d 381.....	5, 11
<i>Limbershaft Sales Corp. vs. A. G. Spalding & Bros.</i> , 111 Fed. 2d 675.....	5, 11
<i>Scott Paper Co. vs. Marcalus Mfg. Co., Inc.</i> , 326 U. S. 249.....	4, 9
<i>Schriber-Schroth Co. vs. Cleveland Trust Co.</i> , 311 U. S. 211.....	4
<i>Shaw vs. Cooper</i> , 32 U. S. 292, 321.....	13
<i>Wade vs. Metcalfe</i> , 129 U. S. 202.....	13
<i>Westinghouse vs. Formica Co.</i> , 266 U. S. 342, 350-2...	4, 9

No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1947.

REYNOLDS METALS COMPANY, *Petitioner,*

v.

C. D. SKINNER and LEO C. BRADLEY, *Respondents.*

**PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES CIRCUIT COURT OF AP-
PEALS FOR THE SIXTH CIRCUIT.**

*To the Honorable the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Your petitioner, Reynolds Metals Company, respectfully prays for a Writ of Certiorari to the Circuit Court of Appeals for the Sixth Circuit, to review a judgment in that Court entered February 12, 1948, affirming a judgment in favor of respondents in the District Court for the Western District of Kentucky. The case was tried without a jury. Transcript of the Record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with Rule 38 of the Rules of this Court.

Opinions Below.

The findings of fact and conclusions of law of the District Court (R. 80-94) are reported in 61 Fed. Sup. 306. The opinion of the Circuit Court of Appeals (R. 635) is reported in 166 Fed. 2d 66.

Jurisdiction.

This is a suit arising under contract and involving the construction and scope of patents. The jurisdiction of this Court is invoked under Judicial Code, Section 240 (a), 28 U. S. C. Section 347.

The judgment your petitioner seeks to have reviewed is dated February 12, 1948, the date of entry of the judgment in the Circuit Court of Appeals.

Summary and Short Statement of the Matter Involved.

I.

The action was brought to recover royalties under a contract of conventional type. The contract provided for assignment of patentable inventions by Skinner and Bradley, for which they were entitled to royalties on all products embodying "the inventions disclosed and claimed in any such patent".

The petitioner defended on the ground that after a given date in 1943 the products made and sold by it did not embody any "inventions disclosed and claimed in any such patent". The principal issue in the case, therefore, turned on the extent and scope of the inventions under the patents.

The Circuit Court of Appeals, in deciding what the patentees' inventions were under the patents, ruled that

prior art was immaterial. It held that the scope of claimed inventions must be determined solely on the face of the patents.

The Circuit Court of Appeals held:

"Since the issue is not one of infringement, we are not concerned with the prior art. *Carbo-Frost, Inc. v. Pure Carbonic, Inc.*, 103 Fed. 2d 210, 223. . . . The case is before us on the applications, drawings and specifications which reveal the inventive conceptions not limited by the rules applicable in infringement cases. *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co., supra*" (110 Fed. 2d 192, C. C. A. 6).

The authorities cited are not in point and the holding gave to the patentees an extravagant enlargement of the patent monopoly. It compels an assignee or licensee of a patent to pay royalties¹ for the use of structures under expired patents as well as structures disclaimed by the patentee.

II.

The Circuit Court of Appeals also held that the petitioner must pay the stipulated royalties because it continued to use *unpatented* devices originated by Skinner and Bradley.

The error here is manifest. The contract obligation of Skinner and Bradley to assign inventions was limited to *patentable* inventions. The obligation of the petitioner was to pay royalties on products made "in accordance with or embodying the inventions disclosed and claimed in any such *patent*". (Emphasis supplied.) There was no agreement to pay any royalties on unpatented devices.

¹ Petitioner operated as agent for Defense Plant Corporation in 1944, and a substantial part of the judgment is chargeable to the United States.

Questions Presented.

1. Where the assignee or licensee of a patent agrees to pay royalties on products which embody the "inventions" disclosed and claimed in a patent, and where the issue in an action brought to recover royalties is whether the assignee's or licensee's products embodied such "inventions", may the Court determine the scope of the inventions by disregarding the prior art and the limitations of the patent claims, and examining merely the face of the patents?

2. Where under a royalty contract the obligation of an assignor was limited to the assignment of patentable inventions and the royalty obligation of the assignee was confined to products made "in accordance with or embodying the inventions disclosed and claimed in any such patent", was a contract correctly interpreted to impose royalties on unpatented devices, particularly where there was no prior notice of any such claim or identification of any unpatented device so affected?

Reasons Relied on for Allowance of the Writ.

1. The decision of the Circuit Court of Appeals, that in a suit to recover royalties the scope of the inventions must be determined solely by the face of the patents, and to the exclusion of the prior art and the limitations of the patent claims, runs counter to fundamental principles of patent law. Cf. *Scott Paper Co. v. Marcalus Manufacturing Co.*, 326 U. S. 249; *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211; *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*, 266 U. S. 342. This doctrine laid down by the Circuit Court of Appeals improperly extends the patent monopoly. It recaptures for the patentee subject

matter in the public domain, including claims abandoned or rejected during the pendency of the patent applications.

2. The decision of the Circuit Court of Appeals is in direct conflict with decisions in other circuits: Second Circuit, *Limbershaft Sales Corp. v. A. G. Spalding & Bros.*, 111 Fed. 2d 675; Seventh Circuit, *Kessel v. Vidiro Products Corp.*, 113 Fed. 2d 381. It appears that this important question of law has not been, but should be, settled by this Court.

3. The Circuit Court of Appeals misapplied the law as to the patent royalty contract, and erroneously included unpatented devices as subject to royalty.

WHEREFORE your Petitioner respectfully prays for an allowance of a Writ of Certiorari.

Respectfully submitted,

ROBERT P. PATTERSON,
WALTER L. RICE,
W. LEE HELMS,
Counsel for Petitioner

ELMER M. CUNNINGHAM,
of Counsel.

No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1947.

REYNOLDS METALS COMPANY, *Petitioner,****v.*****C. D. SKINNER and LEO C. BRADLEY, *Respondents.***

BRIEF IN SUPPORT OF PETITION.**Statement of Facts and Decisions of Courts Below.**

In this case the Circuit Court of Appeals for the Sixth Circuit laid down the rule that in an action to recover royalties under a patent royalty contract of the ordinary type the scope of the invention covered by the patent is to be determined by the face of the patent alone, without regard to the prior art. That doctrine, we submit, is an unwarranted enlargement of the patent monopoly and is at variance with basic principles of patent law.

The action was brought in the District Court for the Western District of Kentucky to recover royalties under a patent royalty contract of conventional type. The contract, after providing for employment of Skinner and Bradley (the respondents) for three years at specified compensation (R., p. 3, last par.) (an employment fully performed and not in controversy), required assignment of an existing patent

for an alleged improvement in extrusion of metals; assignment of inventions for which applications for patents had been or were to be made; and assignment of any future inventions in extrusion of metals that might be perfected during said employment, Skinner and Bradley agreeing to make applications for patent thereon (R., p. 4).

It will be noted that the assignments called for by the contract were to cover *patentable* inventions, and nothing else.

The royalty obligation of petitioner was to pay

“ * * * royalties for the life of the patents covered hereby *on all extrusion products made in accordance with or embodying the inventions disclosed and claimed in any such patent* * * * as follows * * * ”
(R., pp. 8-9, emphasis supplied.)

There was also a provision for minimum royalty.

As to royalties it will be noted that the royalties were for use of *patented* inventions, and nothing else.

In accordance with the contract Skinner and Bradley assigned patents purporting to cover inventions for extrusion of metals. They later brought this action for royalties.

Petitioner's defense was that it had ceased use of the patented inventions. It contended that each invention, when measured by the prior art and by the disclaimers made to the Patent Office, was confined to the combination recited in the patent claims, and that the structures used by the petitioner did not come within the scope of the inventions as thus measured, said structures having been changed so as to follow merely the prior art. Petitioner introduced in evidence the Patent Office file wrappers and the prior art.

The District Court (69 Fed. Sup. 306) found use of the patents or their equivalents (Finding 21, R. p. 90), without consideration of the prior art, or the disclaimers, and the limitations of the patent claims.

Neither did the Circuit Court of Appeals (Opinion, R. 635; 166 Fed. 2d 66) consider the disclaimers or give effect to the limitations of the patent claims, and it expressly refused to consider the prior art, saying:

"Since the issue is not one of infringement, we are not concerned with the prior art. *Carbo-Frost, Inc. v. Pure Carbonic, Inc.*, 103 F. 2d 210, 223 (C. C. A. 8), and the rules announced in infringement cases such as *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U. S. 249 (67 USPQ 193), have no bearing here.

"The case is before us on the applications, drawings and specifications which reveal the inventive conceptions not limited by the rules applicable in infringement cases. *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co., supra.*" (C. C. A. 6, 110 Fed. (2) 192)

The Circuit Court of Appeals further held that the petitioner must pay the stipulated royalties, because it continued to use *unpatented* devices claimed to have been originated by Skinner and Bradley.

The errors are plain. The contract obligation of Skinner and Bradley to assign inventions to the petitioner was limited to *patentable* inventions (R., p. 4). So, too, the contract obligation of the petitioner to pay royalties was limited to royalties on products made "in accordance with or embodying the inventions disclosed and claimed in any such patent" (R. p. 8, last par.). To determine whether the petitioner's structures fell within the inventions disclosed in the patents, the courts below had to ascertain what those inventions consisted of. There was no proper way to find out other than to examine the patents in the light of the prior art.

As for the *unpatented* devices, it is manifest that the royalty clause of the contract did not embody an obligation to pay royalties for use of *unpatented* devices.

Summary of Argument.

The decision of the Circuit Court of Appeals: (1) improperly enlarges the patent monopoly and runs counter to principles set forth by this Court; (2) is in direct conflict with decisions in two other Circuit Courts of Appeals; and (3) erroneously included unpatented devices as subject to royalty.

ARGUMENT.

POINT I.

The rules of law laid down by the Circuit Court of Appeals improperly enlarges the patent monopoly and runs counter to decisions of this Court.

The decision holds petitioner subject to royalty for use of a tapered die and its tapered ring enclosure as disclosed in an expired prior art patent (R., p. 648). That patent had been cited by the Patent Office against a broad claim, and resulted in cancellation of the claim by respondents and restriction of the granted claims to a combination petitioner never used.

Thus the Circuit Court of Appeals departed from basic principles in the law of patents. *Scott Paper Co. v. Marcalus Manufacturing Co., Inc.*, 326 U. S. 249, holds that an assignor is not infringing the patent he assigned if he is operating squarely under a prior expired patent.

The decision in the instant case also holds petitioner responsible for royalties by reason of claims that had been cancelled. In that aspect it is in principle opposed to *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*, 266 U. S. 342, 350-2. In that case an assignor,

sued for infringement by his assignee, was permitted to narrow and limit the claims of the patent in the light of the prior art.

In short, the subject matter of abandoned and rejected claims and expired patents, as a matter of public policy, can never be recaptured by a patentee through the doctrine of equivalents or otherwise.

“It is a rule of patent construction consistently observed that a claim in a patent as allowed must be read and interpreted with reference to claims that have been cancelled or rejected and the claims allowed cannot by construction be read to cover what was thus eliminated from the patent.” *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211, 220.

No true distinction can be made on the ground that the three cases cited above are infringement suits. There is no sound reason to deny recapture by a patentee of subject matter in the public domain in an infringement suit and to permit it in a royalty action. It does not make sense to measure the invention one way in infringement litigation and a different way in royalty litigation.

If an assignee is, simply by paying royalties, barred from measuring an invention by the prior art and abandoned claims, it will virtually be impossible for him to determine the bounds of the patent monopoly, and he will be held liable for using old devices and those revealed in expired patents.

Thus the Circuit Court of Appeals failed to follow the principles of law laid down by this Court, that the invention is to be measured by the patent claims, in the light of the prior art and abandoned and rejected claims and that no part of the prior art can be taken from the public domain

and given to the patentee. The reasoning of the Circuit Court of Appeals is summarized in the following excerpt from its opinion (R., p. 646):

"Since the issue is not one of infringement, we are not concerned with the prior art, *Carbo-Frost, Inc. v. Pure Carbonic, Inc.*, 103 Fed. (2d) 210, 223 (C. C. A. 8), and the rules announced in infringement cases such as *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U. S. 249, have no bearing here.

"The case is before us on the applications, drawings and specifications which reveal the inventive conceptions not limited by the rules applicable in infringement cases. *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co., supra*" (110 Fed. 2d 192, C. C. A. 6).

POINT II.

The Circuits Are in Conflict.

The decision of the Circuit Court of Appeals for the Sixth Circuit is in direct conflict with decisions of the Circuit Courts of Appeals for the Second and Seventh Circuits:

Limbershaft Sales Corp. v. A. G. Spalding & Bros., 111 Fed. 2d 675 (C. C. A. 2);

Kessel v. Vidiro Products Corp., 113 Fed. 2d 381 (C. C. A. 7).

Both the *Kessel* and *Limbershaft* cases directly permit a licensee to limit and narrow the scope of a patent by reference to the prior art to show that he need not pay royalties on a specific product. In the *Limbershaft* case the licensee admittedly paid royalties on the same or a similar product but no estoppel arose.

In the present case the Circuit Court of Appeals apparently thought petitioner was attacking the validity of the patents. Petitioner did not dispute the validity of the patents but only endeavored to have the actual inventions defined in the light of the prior art and abandoned and rejected claims.

The doctrine that a licensee or assignee of a patent is estopped to deny its validity is of doubtful merit. Be that as it may, the doctrine of estoppel should not be extended, as it has been in the present case, to foreclose a licensee or assignee from showing the actual scope of the invention covered by the patent.

POINT III.

The Circuit Court of Appeals erroneously included unpatented devices as subject to royalty.

The District Court and the Circuit Court of Appeals differed somewhat in respect to the unpatented devices. The District Court thought that petitioner had bought the experience of the respondents and that this covered the unpatented devices. The Circuit Court of Appeals rejected this position, indicating its view that the buying of experience was covered by the salary and the royalty on the patents. The common ground of both Courts, however, seems to be a clause of the contract which reads as follows:

“The party of the second part may terminate its obligation to pay royalty hereunder at any time by discontinuing the extrusion of metals under and by means of the processes, patents and devices of the first part, and the reassignment to them, jointly or severally, as they may have been the patentees of patents and/or applications assigned by them to the party of the second part under the terms of this agreement * * *” (R., p. 6).

Since there is no reference anywhere in the contract to unpatented devices and the obligations concerned only patented or patentable inventions, there is no reason to read unpatented devices into this clause.¹ In any event, the only obligation of the petitioner for payment of royalties, as pointed out above, was to pay royalties on products made "in accordance with or embodying the inventions disclosed and claimed in any such patent" (R., p. 8, last par.). There was no royalty to be paid except the minimum royalty if it was not using the assigned patents.

By the employment provisions of the contract the respondents were obligated to devote their time and skill to the extrusion of metals at tasks assigned to them by the petitioner. Obviously anything accomplished during such assigned tasks was covered by the remuneration paid for the employment, which obligation of the petitioner was admittedly fully performed.

WHEREFORE your Petitioner earnestly prays that the Petition for Writ of Certiorari be granted, the cause reviewed, and the decree of the Circuit Court of Appeals for the Sixth Circuit reversed.

Respectfully submitted,

ROBERT P. PATTERSON,
WALTER L. RICE,
W. LEE HELMS,
Counsel for Petitioner.

ELMER M. CUNNINGHAM,
Of Counsel.

¹ No such contention and identification of any unpatented device so affected, was made by respondents prior to this suit. (*Shaw v. Cooper*, 32 U. S. 292, 321; *Wade v. Metcalfe*, 129 U. S. 202.)

FILE COPY

No. 797.

Office - Supreme Court, U.

FILED

JUN 4 1948

CHARLES ELMORE, CLERK
CLERK

IN THE
Supreme Court of the United States

OCTOBER TERM, 1947.

REYNOLDS METALS COMPANY, PETITIONER,

v.

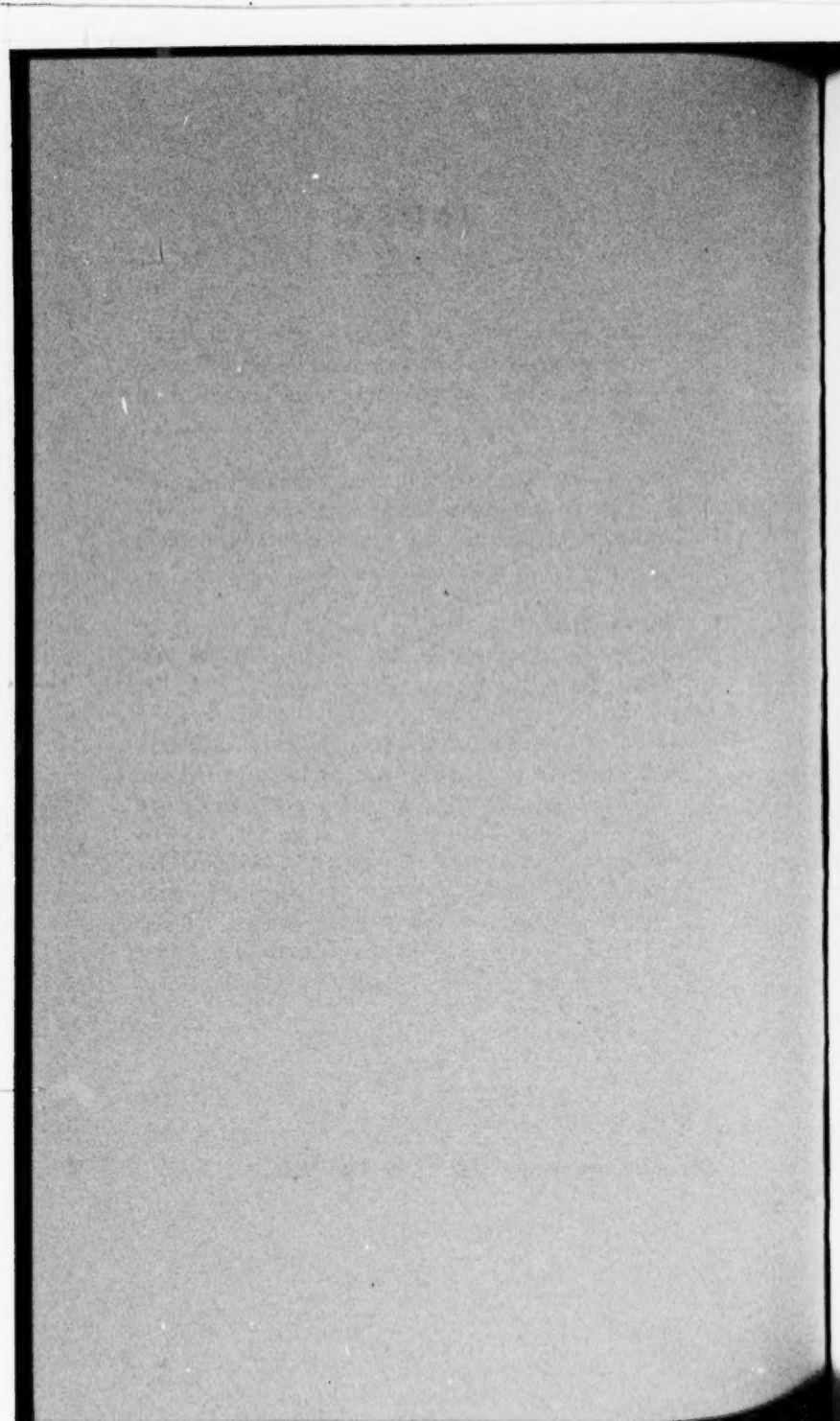
C. D. SKINNER AND LEO C. BRADLEY, RESPONDENTS.

On Petition for Writ of Certiorari to the United States Circuit
Court of Appeals for the Sixth Circuit.

PETITIONER'S REPLY TO RESPONDENTS' BRIEF.

ROBERT P. PATTERSON,
WALTER L. RICE,
W. LEE HELME,
Counsel for Petitioner.

ELMER M. CUNNINGHAM,
of Counsel.



INDEX.

	PAGE
I. Respondent ignores the doctrine upon which this case was decided and its inevitable effect in creating such serious error as occurred in this case	1
II. The doctrine asserted by the Circuit Court of Appeals affects a large class of the public and runs counter to the law laid down by this Court	2
III. The doctrine asserted by the Circuit Court of Appeals resulted in holding petitioner for use of an expired patent structure.....	3
IV. As to one patent the Circuit Court of Appeals discussed certain prior art, but gave no effect to limitations in the claims forced by prior art	4
V. The metes and bounds of a patent cannot be determined solely by the specifications and drawings; and the doctrine asserted by the Circuit Court of Appeals deprives a large class of the public of a positive right.....	4

CASES.

<i>I. T. S. Co. vs. Essex Co.</i>	3
<i>McClain vs. Ortmyer</i> , 141 U. S. 419, 424.....	4

No. 797.

Supreme Court of the United States

OCTOBER TERM, 1947.

REYNOLDS METALS COMPANY,

Petitioner,

versus

C. D. SKINNER and LEO C. BRADLEY,

Respondents.

On Petition for a Writ of Certiorari to the United States
Circuit Court of Appeals for the Sixth Circuit.

PETITIONER'S REPLY TO RESPONDENTS' BRIEF.

That there is no substance in respondents' opposition to the grant of Writ of Certiorari in this case is plain from the following:

I.

Respondents admit that the patent royalty obligation of petitioner was to pay royalties on

"all extrusion produces made in accordance with or embodying the inventions disclosed and claimed in any such patent"

Yet respondents do not contend that either court below gave any effect to the patent claims, or to limitations therein because of prior art, or to claims cancelled because of prior art.

The error of the Circuit Court of Appeals is thrown into high light by its treatment of patent No. 2,176,365 (Opinion, R., p. 647). The Court prefaced its treatment by the following doctrine:

"Since the issue is not one of infringement, we are not concerned with the prior art . . . The case is before us on the applications, drawings and specifications which reveal the inventive conceptions not limited by the rules applicable in infringement cases" (R., p. 646).

The Circuit Court of Appeals held, on such doctrine, that although petitioner had discontinued use of all of the patent claims it was liable for royalties for use of "the two story feature of the device stressed in the specification as being novel and patentable". This "two story feature" is not covered by any of the patent claims. Petitioner had pointed out to the Court that a claim therefor was rejected on prior art and then limited by amendment to a shearing means combination never used, or contended to have been used, by petitioner.¹

Petitioner was held to be obligated for royalties not for the use of any claim of said patent, but for the use of subject matter denied respondents because of rejection by the Patent Office on prior art.

II.

This asserted doctrine of the Circuit Court of Appeals affects the entire class of patent assignees under royalty

¹ Original claim 23 (Deft's Exh. Vol. 1, p. 408), rejected on prior art. The Examiner ruled: "In any case the pit in the reference may be considered to be a lower floor, while the parts on base 2 may be considered to be an upper floor. In any case, the difference is not one of invention" (Deft's Exh. Vol. 1, p. 413). Respondents then limited the claims to include the special shearing means, never used by petitioner (Deft's Exh. Vol. 1, p. 416).

contracts. Resulting error such as in this case is inevitable under any doctrine that in a suit for patent royalties against a member of such class or any class of the public, the patent claims need be given no effect, and the invention determined solely from the patent specifications and drawings.

Such doctrine is directly counter to the principles of law laid down by this Court, that the patent **claims** measure the invention, that they must be read in the light of the prior art and rejected claims, and that no part of the prior art can be taken from the public domain. Specifications and drawings of a patent cannot be accepted as defining the metes and bounds of the invention.² (*I. T. S. Co. vs. Essex Co.*, 272 U. S. 429.)

III.

Respondents make the bald statement that neither court below required petitioner to pay royalties for the use of a tapered die and its tapered enclosure as disclosed in an expired patent. Respondents ignore the admitted simple tapering of petitioners' dies with a corresponding tapered enclosure or "keeper ring", and that respondents' attempt to secure patent claims for such arrangement was rejected by the Patent Office because of a patent which expired before the Complaint herein.

In petitioner's briefs before both courts it was pointed out that the respondents' patent claims specified, and were limited to, a combination including a tapered base block, a construction never used or contended to have been used by petitioner. It was pointed out in said briefs that the file wrapper in evidence showed that the Patent Office had

² Respondents contend that the Circuit Court of Appeals applied the law laid down by this Court in *Eclipse Bicycle Co. vs. Farrow*, 199 U. S. 581. Respondents and the Circuit Court of Appeals grossly misinterpret that case. It has no bearing here.

rejected claims for the tapered die and enclosure *per se*, on patent to Clark, No. 1,574,792 of March 2, 1926. That patent obviously expired March 2, 1943. Respondents cancelled said rejected claims. Both courts nevertheless disregarded such disclaimer by respondents, and petitioner was held liable for royalties for the use of the tapered die and enclosure expedient of the Clark expired patent, and not for the invention covered by respondents' patent claims.

IV.

Respondents lay stress on the consideration by the Circuit Court of Appeals of certain prior art as to **one** of the respondents patents which related to an extrusion die. **But the Court utterly failed to apply the limitations in the claims of respondents said patent, which limitations had been forced by the prior art.** It is quite evident that, as was the case with the remaining patents, the erroneous doctrine of the Court was applied and the claims were not given any effect. Petitioner did not come within any one of them.

V.

In *McClain vs. Ortmyer*, 141 U. S. 419, 424, this Court said:

"The object of the patent law in requiring the patentee to 'particularly point out and distinctly claim the part, improvement or combination which he claims as his invention or discovery' is not only to secure to him all to which he is entitled, but to apprise the public of what is still open to them. . . ."

Are patent assignees, simply by paying consideration in the form of royalties, to be deprived of this positive right

of the public? How can they determine the extent of their obligations except by the patent claims? If the patent specifications, and not the claims, prescribe the metes and bounds, when sued for royalties they may be held for the use of old devices and those of expired patents, which was the result in the present case. The entire class of patent assignees under royalty contracts is affected.

It is believed that this important question of law is of substantial public interest, and warrants review by *certiorari*.

Respectfully submitted,

ROBERT P. PATTERSON,
WALTER L. RICE,
W. LEE HELMS,
Counsel for Petitioner.

ELMER M. CUNNINGHAM,
of Counsel.

FILE COPY

FILED

MAY 27 1948

No. 797.

CHARLES ELMORE CLERK

Supreme Court of the United States

October Term, 1947.

REYNOLDS METALS COMPANY, - Petitioner,

VERSUS

C. D. SKINNER and
LEO C. BRADLEY, - - - Respondents.

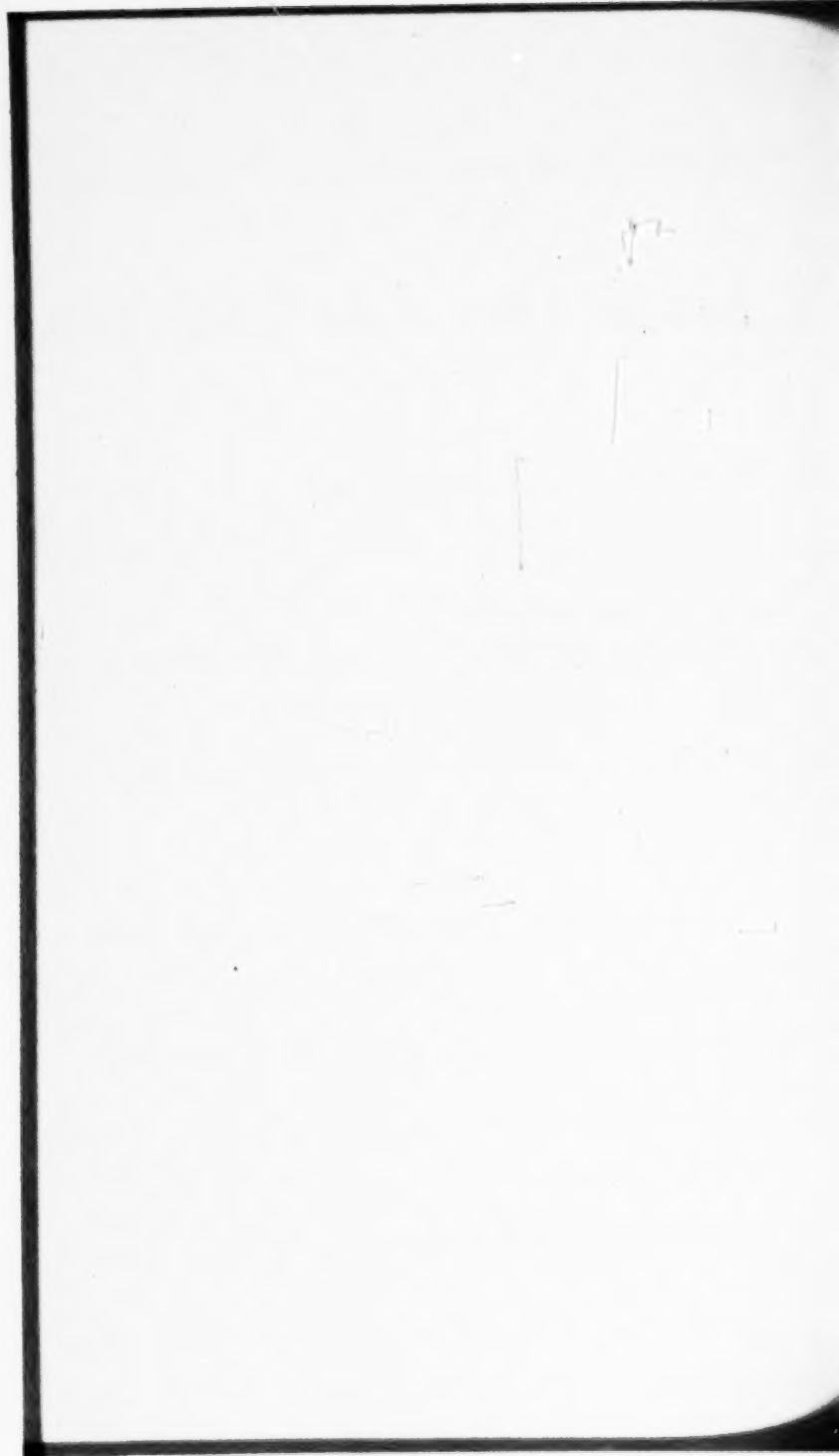
*On Petition for a Writ of Certiorari to Circuit Court
of Appeals for the Sixth Circuit.*

RESPONDENTS' BRIEF OPPOSING CERTIORARI.

no FRANCIS R. HARBISON,
1017 Park Building,
Pittsburgh, Pa.,

✓ LEO T. WOLFORD,
Kentucky Home Life Bldg.,
Louisville, Kentucky,
Counsel for Respondents.

BULLITT & MIDDLETON,
Of Counsel.



INDEX.

	PAGE
Opinions Below	1
Counterstatement of Facts	1- 5
Summary of Argument	6
Argument	6-13

FIRST POINT: The decision of the Circuit Court of Appeals involves no question of patent monopoly. It merely holds that the Petitioner's Contract obligates it to pay royalties to the Respondents for the use of their patents 6- 9

SECOND POINT: The Circuit Courts of Appeals are not in conflict (1) on any question or (2) on any patent, involved in this case 9-12

THIRD POINT: Production on the unpatented processes and devices does not carry royalty 12-13

AUTHORITIES CITED.

	PAGE
<i>Eclipse Bicycle Co. v. Farrow</i> , 199 U. S. 581.....	7, 11
<i>Furrer v. Ferris</i> , 145 U. S. 132.....	7
<i>General Pictures Co. v. Electric Co.</i> , 304 U. S. 175.....	12
<i>Keller v. Adams-Campbell Co.</i> , 264 U. S. 314.....	11
<i>Kessel v. Vidrio Products Corp.</i> , 113 F. 2d 381.....	11
<i>Layne, etc. Co. v. Western Well Works</i> , 261 U. S. 387..	12
<i>Limbershaft Sales Corp. v. A. G. Spalding & Bros.</i> , 111 F. 2d 675.....	11
<i>Scott Paper Co. v. Marcalus Mfg. Co.</i> , 326 U. S. 249...	9
<i>Westinghouse Co. v. Formica Co.</i> , 266 U. S. 342.....	9
Rules of Civil Procedure, Rule 52, 28 USCA §723c....	7

Supreme Court of the United States

October Term, 1947.

No. 797.

REYNOLDS METALS COMPANY, - - *Petitioner,*

v.

C. D. SKINNER AND
LEO C. BRADLEY, - - - - *Respondents.*

RESPONDENTS' BRIEF OPPOSING CERTIORARI.

Opinions Below.

The Findings of Fact and Conclusions of Law of the District Court (R. 80-94) are reported in 69 Fed. Supp. 306 (not 61 Fed. Supp. as in the Petition). The opinion of the Circuit Court of Appeals (R. 636) is reported in 166 Fed. 2d 66.

COUNTERSTATEMENT OF FACTS.

The Petitioner became the holder of the legal title, as assignee, of the patents involved in this case. They were assigned to it by the Respondents under the terms of a written contract whereby the Petitioner agreed to

pay the Respondents certain royalties "for the life of the patents" upon "all extrusion products made in accordance with or embodying the inventions disclosed and claimed in such patent" (R. 9). The agreed minimum annual royalty is \$5,000 (R. 5). The contract provides that the Petitioner "may terminate its obligation to pay royalty" before the expiration of the patents, by (a) reassigning the patents; (b) assigning to Respondents any license agreements made by the Petitioner with others; and (c) "discontinuing the extrusion of metals under and by means of the processes, patents and devices" of the Respondents (R. 6).

The Petitioner paid royalties under this agreement upon these patents between August 1, 1941, and November 27, 1943, aggregating \$87,444.64 (R. 13). The Trial Judge found that additional royalties were owing by Petitioner to Respondents for extrusion products manufactured and sold by the Petitioner between these same dates in the sum of \$77,821.53 (R. 95), most of which is not involved in the questions raised in the Petition for Certiorari.¹

On September 23, 1943, the Petitioner gave the Respondents notice of termination of the contract and attempted to reassign the patents (R. 88). Both lower courts held the attempted termination ineffective because the Petitioner (a) continued thereafter to manufacture extrusion products which embodied "the inventions disclosed and claimed" in the patents (R. 89-91, 93, 644, 646-8); (b) did not assign to Respondents

¹The judgment included no royalties accruing after November 30, 1943 (R. 95), and, therefore, none accrued in 1944, when the Petitioner claims to have operated as agent for Defense Plant Corporation (See Petition, p. 3, Footnote).

a license which it had issued to Extruded Metals, Inc. (R. 641-2, 643); and (c) did not discontinue the extrusion of metals by means of certain unpatented processes and devices installed by the Respondents in establishing the Petitioner's extrusion business (R. 90, 93, 638, 649-52).²

The Petitioner, therefore, appears in this proceeding seeking to have its course charted for the proper procedure, if possible, (1) to continue the extrusion of products, particularly hard aluminum alloys, "embodying the inventions disclosed and claimed" in the patents, and yet (2) to terminate its contract to pay the royalty reserved thereunder. In whatever light the case is viewed, it is an attempt by the Petitioner, as assignee of these patents, to strike them down in order to escape its liability for royalties to the Respondents.

1. Neither the District Court nor the Circuit Court of Appeals required the Petitioner to pay royalties for the use of structures disclosed in any expired prior art patent.

The Petitioner's assertion (Brief, p. 9) that it is held "subject to royalty for use of a tapered die and its tapered die enclosure as disclosed in an expired prior art patent," is without any support in the Record.

²The statement in Petitioner's Brief (Footnote, p. 13) that no contention was made to the effect that the contract required for termination discontinuance of the unpatented devices and that there was no identification of any unpatented devices prior to the suit, is utterly refuted by the correspondence between the parties (Ex. 25, p. 326; Stipulation, par. 10; R. 52, not printed in the Record). This contention was immediately raised when it became material upon the Petitioner's attempted termination of the contract on September 23, 1943, before the suit was brought.

The decision holds the Petitioner liable for royalty for the use of the tapered die and tapered ring assembly which the trial Judge found it continued to use after September 23, 1943 (R. 90). This was a claim covered by Patent 2,176,364. This patent was procured on Respondents' application, assigned to Petitioner, and prosecuted by Petitioner to final issue, and changes, or cancellation of claims, if any, were made by the Petitioners without Respondents' knowledge or consent (R. 121, 140).

The patent, with file wrapper (Ex. O, Deft. Vol. I, pp. 448, 501-4, not printed in the Record) covers the tapered die and die assembly. The application (*Ibid*, p. 456) describes the diagrams of this die and its assembly in Figs. V to XIV, the organization of the tapered die and keeper ring. Petitioner's standard die and die assembly are evidenced by its models, Ex. "A" and Ex. "B," and they were shown to have been designed by Respondents in 1937 by diagram (Ex. 27, not reproduced in printed Record), offered in evidence (R. 278) and adopted by the Petitioner in its standard die assembly (Ex. 26, not reproduced in printed Record) and proven (R. 276).

The trial court found these Exhibits "A" and "B" were practically identical with design, Exhibit 27, and that they incorporated features covered and claimed by such patent (R. 90-91, Findings Nos. 21 and 23).

That Petitioner's assertion lacks any foundation is best evidenced by the fact that *Petitioner did not even request the Trial Judge to find that the tapered die and tapered die assembly were anticipated by any expired*

prior art patent or that the scope of the patent was limited by any prior art (R. 76-79).

2. The Petitioner states (Brief, p. 9) that

“The decision in the instant case also holds Petitioner responsible for royalties by reason of claims that had been cancelled.”

This statement, made without reference, is not borne out by the Record. Each item of royalty referred to by the Trial Judge was based upon production by the Petitioner under claims in the assigned patents (R. 89-91).

3. The Petitioner was permitted to introduce evidence in respect of alleged prior art patents throughout the proceeding. This evidence was thoroughly considered (R. 644, 646-8). The Court found that “various Skinner and Bradley patents open up a new field” (R. 646), and that the annular ring or mixing chamber in the Skinner patent “was a new feature in the building of extrusion dies and of great importance,” and that “neither Dick nor Lapan disclosed this feature.” It considered the alleged prior art patents in so far as “they illuminate the scope of the patent” (R. 648). The Petitioner made no request for any Finding in respect of any prior art patent (R. 76-79).

Summary of Argument.

The decision of the Circuit Court of Appeals: (1) does not in any sense enlarge the patent monopoly, but merely holds the Petitioner liable under its contract to pay royalties which it agreed to pay to the Respondents for the use of their patents; (2) is not in conflict with the decisions of any other Circuit Court of Appeals; and (3) does not award royalties on unpatented devices, but holds, in accordance with the contract, that the Petitioner failed to discontinue the use of certain unpatented processes and devices, which was an agreed condition precedent to the termination of the contract.

ARGUMENT.

FIRST POINT.

The decision of the Circuit Court of Appeals involves no question of patent monopoly. It merely holds that the Petitioner's contract obligates it to pay royalties to the Respondents.

The Petitioner agreed to pay royalties to the Respondents during the life of the assigned patents on

“all extrusion products made in accordance with or embodying the inventions *disclosed and claimed* in such patent.”

The Circuit Court of Appeals held that the Petitioner is required to pay royalties on the products manufactured by it because their manufacture embodied “the inventions disclosed and claimed” in the

patents. It held that the Petitioner (1) could not dispute the *validity* of the patents assigned to it and, (2) after giving full consideration to the scope of the patents as illuminated by the alleged prior art patents, the manufacture by the Petitioner was within the scope of the assigned patents (R. 644, 648). The decision is precisely in line with the decisions cited from other Circuits (see *infra* pages 10-11).

No question of patent monopoly is involved. This is not an infringement suit which can in any way affect the rights of the public. The decision is founded on the construction of the contract between the parties and affects them only.

Both courts below followed the decision of this Court, in an opinion by Mr. Justice Holmes, in *Eclipse Bicycle Co. v. Farrow*, 199 U. S. 581, wherein this Court held in respect of a contract to pay royalties on the "invention above referred to" that if the contrivance used embodied the invention described, "then the defendant is bound to account for it by the express terms of its covenant" (p. 587).

The Circuit Court of Appeals found that the patented devices used by the Petitioner were within the term "invention" as used in the contract. This finding is one of fact, and in the absence of manifest error will not be disturbed (*Furrer v. Ferris*, 145 U. S. 132, 134; Rules of Civil Procedure, 52; 28 USCA §723c).

The contest centered largely around Skinner's porthole die and its refinements. This invention is a die assembly for continuous double extrusion of hard aluminum alloys. It consists of a male or mandrel

carrying die with a so-called porthole or portholes through which the metal is extruded into a chamber described as an annular ring or mixing chamber and through which the mandrel extends into the opening in the female die. The metal, during the first extrusion into the mixing chamber, homogenizes around the mandrel and builds up a back pressure on the carrying web of the male die sufficient to equalize the down pressure through the press of the oncoming metal. The second extrusion follows around the mandrel through the female die for such tubular or hollow shapes as the ingenuity of the mechanic may design.

Everything the Petitioner offered in evidence attempting to restrict the scope of the patent was admitted by the Trial Judge and considered by both of the lower courts. The prior art patents alleged to anticipate Skinner's were those of Lapan and Dick, referred to in the opinion of the Circuit Court of Appeals (R. 648). There were no prior art patents expressly designed for the continuous extrusion of hard aluminum alloys into hollow shapes (R. 132, 647-8).

All of this evidence was considered by the Circuit Court of Appeals, and it found (R. 648),

"the prior existence of the French patent to Lapan, 8282, and the patent to Dick, 715,358, for lead extrusion and copper extrusion respectively are irrelevant to the controversy except as they illuminate the scope of the patent. Both Dick and Lapan are not shown to have been used for the extrusion of aluminum."

Extrusion of aluminum requires the metal to be subjected to heat of from 600 to 1000 degrees Fahrenheit and to a pressure of 100,000 pounds per square inch and upward so that (R. 648),

“the necessities of aluminum extrusion are sharply differentiated from those of lead and copper.”

Neither Dick nor Lapan disclosed the feature of the annular ring or the mixing chamber (R. 648), which the Court found,

“is an important element in the Skinner die assembly. * * * It was a new feature in the building of extrusion dies and of great importance * * *.”

The three decisions of this Court cited by the Petitioner are admittedly infringement cases. There is a well grounded distinction between these infringement cases and a suit upon a contract between the parties for royalties.

Courts are at all times zealous to protect the general public interest where such interest is involved, but the public is not affected by a decision which merely construes a contract between the parties, and requires one of them to make payment of royalties which the Court finds it agreed to pay. In the cited cases (*Westinghouse Co. v. Formica Co.*, 266 U. S. 342; *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U. S. 249), the Court held that the public had an interest in the decision, which is not the case here.

SECOND POINT.

The Circuit Courts of Appeal are not in conflict on any question involved in this case.

I. There is no conflict between the decision of the Sixth Circuit Court of Appeals in the instant case and the decisions of the Second and Seventh Circuits.

The Sixth Circuit Court of Appeals, in considering "Appellant's [Petitioner's] contentions as to the non-validity of the patents involved," held that neither a licensee nor an assignee may dispute the *validity* of a patent in a suit for royalty. In that connection the Court said that "since the issue is not one of infringement we are not concerned with the prior art" (R. 645-6).

The Court did, however, consider the prior art in construing the *scope* of the patent (R. 647-8). It said that the prior patents "are irrelevant to the controversy except as they illuminate the scope of the patent." It then found that the prior patents were not anticipations of the Skinner patent which involved "a new feature in the building of extrusion dies" and that "neither Dick nor Lapan disclosed this feature." Other novelties in the Skinner and Bradley patents were likewise pointed out as not having been anticipated by the prior patents.³

This holding is precisely in line with the decisions of the Second and Seventh Circuits.

³Although the Petitioners made no request for any Finding of Fact in respect of any alleged prior art patents (R. 76-79), the Court did consider them.

In *Limbershaft Sales Corp. v. A. G. Spalding & Bros.*, 111 Fed. 2d 675; 2 CCA, a licensor of a patent sued the licensee for royalties. The Court there held, exactly as it was held by the Sixth Circuit Court of Appeals in the instant case, that a licensee "is estopped to deny the validity of a patent" but that the Court may consider the prior art in determining the scope of the patent.

In *Kessel v. Vidrio Products Corp.*, 113 F. 2d 381 (7 CCA), the licensor of a patent sued the licensee for patent infringement. The Court said the licensee was estopped to deny the *validity* of the patent (p. 382), but that the claims of the patent must be read and interpreted with reference "to the then existing state of the art" (p. 383).

There is no difference between the rules laid down by the Sixth Circuit in the instant case, and the rules laid down by the Second and Seventh Circuits. If there is any difference between the Circuits, the Sixth Circuit, in the case at bar, has followed the decision of this Court, never disapproved, in *Eclipse Bicycle Co. v. Farrow*, 199 U. S. 581, 587-8, which settled the law.

II. There is no conflict between the Sixth Circuit in the case at bar and any other Circuit with reference to the patents involved in this suit.

This Court has held that patent cases with the usual issues of invention, breadth of claims and non-infringement "this court will not bring here by certiorari unless it be necessary to reconcile decisions of Circuit Courts of Appeals on the same patent (*Keller v. Adams-*

Campbell Co., 264 U. S. 314, 319; *General Pictures Co. v. Electric Co.*, 304 U. S. 175, 178-9; *Layne, etc. Co. v. Western Well Works*, 261 U. S. 387, 393).

THIRD POINT.

Production on the unpatented processes and devices does not carry royalty.

The contract required the Petitioner to pay royalty on a percentage basis and a minimum annual royalty of \$5,000 (R. 5) "for the life of the patents" on extrusion products "embodying the inventions disclosed and claimed" in the patents (R. 9). The Petitioner was given the right to "terminate its obligation" to pay royalties upon the conditions precedent that it would (a) reassign the patents to the Respondents; (b) assign to the Respondents any licenses granted to others; and (c) discontinue "the extrusion of metals under and by means of the processes, patents and devices" installed by the Respondents in setting up the Petitioner in the extrusion business (R. 6).

The Petitioner failed to assign to the Respondents licenses granted to others (R. 86-7), and the trial courts found that the Petitioner failed to discontinue the use of the processes, patents and devices installed by the Respondents (R. 90, 93).

The Circuit Court of Appeals disagreed as to certain of the processes and devices of Respondents, but likewise held that the Petitioner failed to discontinue the use of some of the processes and devices installed by the Respondents (R. 638) and that the Petitioner

entered into a license agreement with another manufacturer (R. 641-2), which was not assigned to the Respondents. Thus, the Petitioner, in fact, failed to perform the conditions precedent for terminating its agreement to pay royalties. That was all that either court held with reference to the processes and devices.

Both lower courts found that the Petitioner continued, after the attempted termination of the contract, to manufacture extrusion products which embodied the inventions disclosed and claimed in the patents (R. 90, 91, 643-5, 648). On that ground, and on that ground alone, as expressly provided in the contract, the Petitioner was required to pay the royalties which it had agreed to pay.

This is no question of general interest and importance such as under the Rules of this Court warrant review by *certiorari*.

Respectfully submitted,

FRANCIS R. HARBISON,
LEO T. WOLFORD,
Counsel for Respondents.

BULLITT & MIDDLETON,
Of Counsel.

INDEX.

	PAGE
I. The courts below decided the case upon the patent claims, and/or the claims of patent applications filed under the contract.....	1-2
II. The reciprocal rights of assignors and assignees are fixed by their assignment contracts and, in so far as their terms are legal, affect no public rights	2
III. The Circuit Court of Appeals did not hold the Petitioner liable for the use of an expired patent.	2-3
IV. The Circuit Court of Appeals, after considering prior art, found the Skinner porthole die a new invention covered by his patent.....	3
V. The doctrine of estoppel between privies deprives no part of the public of any positive right which it has not legally contracted to forego....	4

AUTHORITIES CITED.

<i>Eclipse Bicycle Co. v. Farrow</i> , 199 U. S. 581.....	2, 4
<i>McClain v. Ortmyer</i> , 141 U. S. 419.....	4
<i>Stubnitz-Greene Spring Co. v. Fort Pitt Bedding Co.</i> , 110 Fed. 2d 192.....	3

—

Supreme Court of the United States

October Term, 1947.

No. 797.

REYNOLDS METALS COMPANY, - - *Petitioner,*

v.

C. D. SKINNER AND
LEO C. BRADLEY, - - - - *Respondents.*

RESPONSE TO PETITIONER'S REPLY BRIEF.

I.

Respondents contend that the court below decided the case upon the patent claims; and, on the issues involving patents procured by petitioner on respondents' applications, that it recognized the claims of the patent applications.

The Circuit Court of Appeals did not apply the doctrine stated in Petitioner's Reply (p. 2) when the Petitioner had discontinued the use of patent claims. The court, referring to patent No. 2,176,365, said (R. 648) that, "Moreover, substantial testimony reveals that the tapered dieholder of Skinner and Bradley

was used on all vertical presses except the 1100-ton press after the critical date [and that the testimony showed], * * * that the work generally at Reynolds is with the tapered die; that it has been so at all times, and still is to-day."

It was proven that the "two story feature" was covered by the claims of the patent application (Deft. Exhibits, Vol. 1, pp. 376, 386, 423, Claims 1-3 and 4).

This patent was procured by the Petitioner on the Respondents' application (R. 140) under contract provision (R. 81) that petitioner should have the right to take it over and prosecute it, in its discretion, as it deemed advisable, which right it exercised (R. 140).

II.

Patent assignees under royalty contracts are no more affected by the ruling of the Circuit Court of Appeals than their assignment contracts stipulate.

Petitioner's query under this heading as to whether or not an assignor and assignee cannot contract that royalty be paid upon a claimed invention, as described in a patent, or the application for a pending patent, is answered definitely and conclusively by this court in *Eclipse Bicycle Co. v. Farrow*, 199 U. S. 581, in the affirmative.

III.

The Petitioner admits that the Respondents attempted to secure (filed an application) a patent for a tapered die with a corresponding tapered enclosure or keeper ring (Reply Brief, p. 3). This application

was taken over by the Petitioner (R. 140). It is covered by claim 8 of the granted patent (Deft. Exh., Vol. 1, pp. 448, 504).

The conclusion of the Circuit Court of Appeals was (R. 646), "The case is before us on the applications, drawings and specification which reveal the inventive conceptions not limited by the rules applicable in infringement cases. *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co., supra*" (110 Fed. 2d 192, C.C.A. 6).

The reasoning in the cited case is that (p. 195) the assignee of a patent being in privity with assignor, is estopped to deny patentability and the rule applies to assignments of applications as well as patents.

The court did not hold the Petitioner liable for royalties for the use of the expired Clark patent. It found the Petitioner used the invention covered by the Respondents' patent claims (R. 91; Finding of Fact, 23).

IV.

The Circuit Court of Appeals did fully consider the matters complained of in the Petitioner's Reply Brief IV and found that the mixing chamber (R. 648)

"was a new feature in the building of extrusion dies and of great importance because, among other things, it made possible the building up of pressure in the annular ring to equal the pressure of [on] the mandrel die, thus enabling it to resist the enormous pressure of the plunger and to prevent collapse."

V.

The rule quoted from *McClain v. Ortmyer*, 141 U. S. 419, was stated in, and is applicable to, a patent infringement suit. The answer to the Petitioner's query under this number is that the assignee is set apart from the public in so far as he, a free agent, contracts to be set apart. Here the Petitioner contracted as a reciprocal obligation to pay royalties for the possession of all the Respondents' present and future inventions, including the rights (R. 8) (a) to enforce filing patent applications; (b) to control all proceedings on patent applications: (c) to prosecute, or refrain from prosecuting, infringements; (d) to determine what inventions be protected by patents, and (e) to determine the extent to which it pressed the development of their inventions or patents. The public had no such rights and consequently no obligation to defend the "novelty and patentability" of the Respondents' inventions, such as the contract imposed on the Petitioner under *Eclipse Bicycle Co. v. Farrow*, *supra*.

FRANCIS R. HARBISON,
LEO T. WOLFORD,
Counsel for Respondents.

BULLITT & MIDDLETON,
Of Counsel.